

SECRET*gus to Chow*

16 December 1958

MEMORANDUM OF UNDERSTANDING**FUNDING OF PROJECT CUSTO IN: FY-1959 AND FY-1960**

1. For the past fourteen months feasibility studies have been in progress looking toward the development of a new intelligence collection system. In May 1959 a panel of consultants was established by the Scientific Advisor to the President, who acted also on behalf of the Secretary of Defense and the Director of Central Intelligence. In a report rendered in late November, this panel indicated its choice between competing design proposals and recommended that the development of the intelligence collection system be undertaken immediately on an expedited and highly secure basis. Although considerable further work will have to be done before the optimum configuration for the proposed system can be determined in detail, there is agreed to be a strong presumption that substantially the desired performance can be achieved.

2. With the feasibility studies completed the next phase of this project, if it is to go forward, will involve extensive tests, development of detailed design, final determination of configuration, and (in order to achieve a capability at the earliest possible date) some fabrication or procurement of long lead items. This phase of the project will require four to six months for its completion and will not involve a major financial commitment. At the completion of this phase, a much more solid estimate of the performance of the system and of its total cost will be available and a final decision can then be made to abandon the undertaking or carry it through to completion. It is planned in the near future to seek approval for this next phase. Presumably, such approval will be granted only if the development of the proposed intelligence collection system is considered worth while subject to a more firm demonstration of its performance and a satisfactory hard estimate of its cost.

3. Partly because many of the details of the optimum configuration remain to be determined and partly because it is believed that cost estimates submitted by the contractors under consideration will be subject to considerable change in the course of negotiation, firm and reliable estimates of total

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25X1 funding required cannot be made at this time. It seems clear, however,
25X1 that the minimum cost of the system may be in the neighborhood of
[redacted] and could well turn out to be higher. It has been firmly
estimated, however, that the next phase will cost [redacted]

25X1 [redacted] depending in considerable part on whether two competing designs
are carried along through this phase or a final choice of design approach and
source is made at this time.

25X1 4. It is understood that if approval is obtained (on the terms out-
lined in paragraph 2. above) to proceed with the next phase of the project,
this activity will be financed by release of funds from the CIA Reserve in
the amount of [redacted] This sum will be obligated almost
immediately and will be wholly expended during FY-1959.

25X1 5. It is understood that if, after completion of the next phase,
approval is received to proceed with the development of the proposed system,
[redacted] of FY-1959 and/or FY-1960 Department of Defense funds will
be made available for this purpose but these funds are not a part of the
FY-1960 CIA budget and will not in any way affect the Agency Reserve.

6. With respect to the management of the [redacted] to be made
available to the Agency in the event of final project approval, it is under-
stood:

a. That these funds will be available for no purpose other
than the project herein referred to, and

b. That CIA will have the same degree of effective control
over their use that it would have if they were obtained as a release
from the CIA Reserve.

CENTRAL INTELLIGENCE AGENCY**BUREAU OF THE BUDGET**

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